

**Illinois Department of Revenue
Regulations**

Title 86 Part 130 Section 130.2010 Persons Who Rent or Lease the Use of Tangible Personal Property to Others
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TITLE 86: REVENUE

**PART 130
RETAILERS' OCCUPATION TAX**

Section 130.2010 Persons Who Rent or Lease the Use of Tangible Personal Property to Others

- a) Persons Who Rent or Lease the Use of Tangible Personal Property to Others -- When Liable for Retailers' Occupation Tax

If persons who are engaged in the business of selling tangible personal property to purchasers for use or consumption purport to rent or lease the use of any such property to a nominal lessee or bailee, but in fact sell such tangible personal property to the nominal lessee or bailee for use or consumption, such persons are liable for payment of the Retailers' Occupation Tax. This is the case, for example, when the transaction involves a lease with a dollar or other nominal option to purchase. Such a transaction is considered to be a conditional sale from the outset, and all of the receipts from the transaction are subject to Retailers' Occupation Tax.

- b) Persons Who Rent or Lease the Use of Tangible Personal Property to Others -- When Not Liable For Retailers' Occupation Tax

Persons who, under bona fide agreements, rent or lease the use of automobiles under lease terms of more than one year, furniture, bus tires, costumes, towels, linens or other tangible personal property to others are, to this extent, not engaged in the business of selling tangible personal property to purchasers for use or consumption within the meaning of the Retailers' Occupation Tax Act and are not required to remit Retailers' Occupation Tax measured by their gross receipts from such transactions. However, such lessors (not being resellers) are users of the property and are subject to the Use Tax when purchasing tangible personal property which they rent or lease to others (see Sections 150.201 and 150.305(e) of the Use Tax (86 Ill. Adm. Code 150) and Section 130.220 of this Part). Except as provided in Sections 130.2011 and 130.2012 of this Part, such lessors incur Use Tax even if the tangible personal property is leased to an exempt entity that has been issued an exemption identification number under Section 130.2007 of this Part.

- c) Rentors of automobiles under lease terms of one year or less incur neither Use Tax liability on the cost price of the vehicle(s), nor Retailers' Occupation Tax liability on rental receipts. Persons engaged in this State in the business of renting automobiles in Illinois under lease terms of one year or less incur liability under the Automobile Renting Occupation and Use Tax Act [35 ILCS 155]. The Automobile Renting Occupation Tax rules are found at 86 Ill. Adm. Code 180.

(Source: Amended at 24 Ill. Reg. 15104, effective October 2, 2000)